

MEMORANDUM FOR: Mr. Dulles

SUBJECT : Brief of a Speech Delivered by Mr. William Benton
before the Economic Club of Chicago

Mr. Benton's talk on "The Soviet Economic Challenge" stresses the necessity for America to gear up for this coming competition. He points out four elements of Soviet economic strength, as follows:

- (1) The economic growth of the Soviet Union in industrial production. Here Mr. Benton makes reference to your U. S. Chamber of Commerce speech (see page 5).
- (2) The Soviet trade offensive.
- (3) The coming challenge to the dollar by the ruble in which he states that Mikoyan may be planning a revolution in international finance. The ruble will have gold and a growing flood of commodities as its backing.
- (4) The Soviet challenge in the field of foreign aid. During the next decade, according to Mr. Benton, this may turn out to be the gravest threat to the Western World due to the accelerating aid program of the Soviets and the scale with which it is handled.

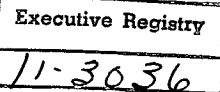
Mr. Benton makes mention of the Soviet economic system and, on page 12, he states that "Allen Dulles has expressed the cautious hope that education may prove the Achilles heel of the Soviet system".

Mr. Benton makes the following suggestions:

- (1) Continue to maintain and build up our defense establishments.
- (2) Produce at full capacity.
- (3) Develop new ways to stimulate private investment abroad, particularly in undeveloped countries.
- (4) Reduce tariffs and trade barriers and
- (5) Strengthen America's programs of international information and cultural exchange.

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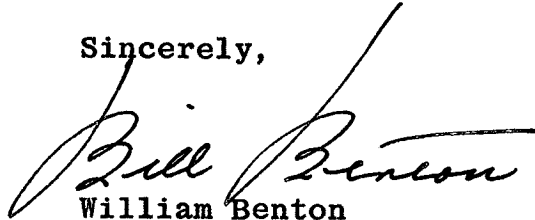
WILLIAM BENTON
PUBLISHER & CHAIRMAN

April 10, 1959

Dear Allen:

I congratulate you on your candid and important speech on Wednesday night - even though my associates think it is one reason why my own speech on the same night in Chicago received so little publicity. I got six or eight inches in the Times and you got a full page. But believe me I wasn't trying to compete. I think you may be interested in my speech nonetheless, and it was undoubtedly a shocker to the Economic Club of Chicago. I quote you in it as I find I so often do in my speeches. I am attaching it.

Sincerely,


William Benton

The Honorable Allen Dulles
Central Intelligence Agency
Washington, D. C.

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Address by Honorable William Benton
Annual Meeting, Economic Club of Chicago
Chicago, April 8, 1959

THE SOVIET ECONOMIC CHALLENGE

I congratulate the Economic Club of Chicago and its president, Jim Downs, on this series of talks. Your club has been focussing on the gravest economic problem of our time -- indeed of any modern time. You can hope that out of this series you may have a better chance to understand the problem and to do something about it.

I have not read the papers of my three predecessors on your speaking program. I didn't want to find out that they'd stolen my stuff and I didn't want to be accused of stealing theirs. But I know something of their views -- for example, of my friend Philip Reed's comforting prediction that it will take the USSR a century to catch up with the U.S. in production of electric power.

Thus I suspect that I shall be more of a Cassandra than they. Tonight I cannot be the optimist I've often been in my activities in Chicago, which began when I first came here to work in 1928 as Assistant General Manager of Lord & Thomas. Chicago generates optimism. It seems safe and it has been sure. It is the world's greatest business city. It is world capital and symbol of economic productivity. For 100 years it has specialized in putting its broad shoulders behind what can't be done -- and then doing it.

In this city where my business interests again center and where my oldest son has settled for his business life -- I am not happy tonight as prophet of danger and potential disaster.

As I try to peer into the future, I shall begin with an aphorism: the risk of underestimating the opposition is much graver than the risk of overestimating it. This is more than merely a good general rule for business executives when they appraise their competition. It is far more important when we Americans now seek to appraise the USSR. It is far more applicable when the opposition is armed with hydrogen bombs. Here we face no mere matter of the P and L statement, but a matter of life and death.

We should have learned this rule in 1949, when the Soviets exploded their first atomic bomb years before we thought they could. We should have re-learned it in 1953, when they exploded a hydrogen bomb -- and again years ahead. We did begin to learn it in 1957 when the first sputnik went into orbit.

This rule of power politics -- the rule that a country should not underestimate its opposition -- will be superficially examined by me tonight in the field of trade and economic rivalry -- in other words, in terms of the Soviet economic challenge.

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'Way back in 1955 Nikita Khrushchev told a group of U. S. Congressmen: "We value trade least for economic reasons and most for political reasons." This statement mirrors orthodox Communist theory.

In 1957 Khrushchev put this even more sharply. In an oft-quoted statement, he said, "We declare war on you .. in the peaceful field of trade. We declare war. We will win over the United States. The threat to the United States is not the ICBM but in the field of peaceful production. We are relentless in this and it will prove the superiority of our system."

Khrushchev finds many who believe him. A few months back, our government discovered to its chagrin that President Kubitschek of Brazil was circulating a memorandum estimating that the Soviet Union, in the not too distant future, will be our superior in industrial production. By 1980, when many Chicagoans in this room may hope still to be alive, Dr. Kubitschek's document estimated Soviet gross national production at the rate of \$1,561 billions annually, and that of the U. S. at only \$858 billions or about half.

Yes, the USSR means to cross swords with us in the battle of production and trade. She throws down her gauntlet to us as the leading economic power in the world. She feels sure she has the weapons for a successful challenge and many foreign observers agree.

To help us decide whether we must now roll up our sleeves and tighten our belts, let us examine some of the elements of Soviet economic strength. I shall give you four.

The Soviet rulers claim that by 1965 the economic defeat of capitalism will have been accomplished, though the United States is expected to continue to struggle against the inevitable and will not yield production leadership to the USSR until 1970. By then, the world-wide moral and political defeat of the United States and of its private enterprise economy will be obvious even to the United States.

Now we used to scoff at Soviet claims -- but again and again the so-called visions of Stalin have turned into realities; and today we scoff only at our own peril.

Last November Khrushchev said to Walter Lippmann: "We will cause you, the Americans, more trouble each year. At present the United States is the richest and most productive country in the

world. But it is living in the last years of its greatness. Shortly the USSR will surpass the U. S. in productivity per capita. When that is achieved, the people (of the poor countries) will be 'convinced in their stomachs'. That is your danger, not our H-bombs."

Late last year the official magazine of the Soviet Foreign Trade Ministry gloated that Soviet foreign trade had helped curb the profits of what it called the "super monopolies". And a Soviet economist has recently declared that by 1965 the USSR will be calling the tune on world prices.

Here is what Khrushchev told the Soviet Communist Party's twenty-first Congress this past January:

"Think of this, comrades! Although the socialist countries occupy only a fourth of the earth's territory, although the majority of these countries were backward in the recent past, the time is not distant when they will produce more than half of the world's industrial output! . . . The countries of the socialist camp have all the prerequisites for winning the championship in world production. . . . We want the competition to take place not in an arms race, not in the manufacture of atom and hydrogen bombs and rockets, but in the realm of industrial production -- meat, butter, milk, clothing, footwear and other consumer goods. Let the peoples see which regime better meets their requirements and let them pay their due to each regime according to its deserts."

Such trumpetings, as propaganda in today's world, are proving increasingly effective among the peoples of the so-called uncommitted countries whose populations total one billion human beings -- well over a third of the human race. This is because of the comparisons that Soviet propaganda can now make between the rates of growth of

our economy and theirs. Since 1957 our own economy can almost be said to have been in retreat -- while the economy of the Communist world - Russia and China in particular - is surging forward with giant steps.

The USSR claims an economic growth ^{LAST} ~~this~~ year of 10%. ^{INSERT #1} Here is the first of the four potent weapons in the Soviet economic and propaganda arsenal.

Let's take steel production. The Soviet goal for 1965, for the USSR alone, is 100 million tons and the Chinese goal seems to be expanding monthly. Last year, for the first time, the Communist bloc, including the USSR, its East European satellites and China, produced more steel than did the United States. Half our capacity - an amount equal to the USSR production - was idle. Let me put this another way. The American steel furnaces that were cold last year could have produced as much steel as all the furnaces in the Soviet Union.

Allen Dulles, director of the Central Intelligence Agency, reminded the U. S. Chamber last April that "a recession is an expensive luxury." "Its effects are not confined to our own shores," Mr. Dulles continued. Then he warned, "Soviet propagandists have had a field day in recent months, pounding away at American free enterprise." This warning is minimized by many American economists who stress our historic rate of a 3% average annual economic growth. They do not throw into the balance the harmful impact of the Soviet propaganda dramatizing our setbacks and our millions of unemployed.

Radio Moscow tells the peoples of Asia and Africa and Latin America, "It took the West a hundred years to build its production system; follow ours and you can do it in twenty!"

Perhaps I should interpolate here that the world unhappily is not filled with people who share your views and mine that, even if the Soviet Union were to learn to outproduce us 100 to 1, we would still most fervently prefer a system designed to serve the freedom, the dignity and the development of the individual. We would still prefer our system to any system aimed at the glorification of the Party or the State.

Let me now turn to another example of the Soviet challenge -- their trade offensive. This is their economic weapon Number Two.

The USSR needs surpluses and raw materials which we often reject -- let us say the cotton of Egypt or the rice of Thailand and Burma. When it doesn't need the rice, it can still acquire it and re-sell it at cut prices. The non-Communist rice-exporting countries call this dumping.

(In a dispatch from Chicago dated March 28, the New York Times quoted Mr. Charles B. Shuman, President of the American Farm Bureau Federation, as having "evidence that the Soviet Union was using cut price wheat -- including some that had originated on United States farms -- as an economic warfare weapon." The Times said that Mr. Shuman "expressed the fear that the Soviet Union would replace the United States in the Western European market.")

The Russians can flood the market with their surplus tin. In Bolivia, where tin is the vital life stream, there are riots. Against the Russians? No. Against us. It is true that the most recent riot was touched off by a statement in Time Magazine. But the underlying cause was the depressed market for tin.

Soviet petroleum finds its way to Argentina and Uruguay. This tends to dry up the markets for Venezuelan oil. So does President Eisenhower's executive order establishing a quota on oil imports into the U. S. This order pleased our oil producers in

Oklahoma and Texas but it cut our purchases of Venezuelan oil by \$250,000 a day. Vice President Nixon heard about oil when he visited Caracas -- and with insults and brick-bats. Will there be unemployment in other oil producing countries? The Russians won't hear much about it. But we will.

Soviet automobiles are appearing on the German market. They are selling at low prices and they aren't being advertised. The Soviets haven't yet learned the power of commercial advertising to help sell their goods in export markets. They are beginning to use advertising domestically to dispose of surpluses or to stimulate savings, as I reported in Sales Management on my return from USSR three years ago. And I now predict that the USSR will shortly begin to learn how to use export advertising. This will add measurably to the formidability of Soviet competition in export markets.

There are persistent Soviet bids for more trade with Britain. Three years ago Khrushchev, visiting England, spoke contemptuously of current Soviet-British trade as the exchange of Russian crabs for British herrings. He offered to buy almost \$3 billions of British goods if the embargo on strategic exports were removed. And now Mikoyan roams the world markets, beating the drums for Soviet products, ready to buy or sell from either pocket, ready to undercut other countries' prices, and holding out the hope of Soviet loans at 2% for 40 years.

This last point dramatizes still another element of the Soviet economic offensive. This is their economic weapon Number Three. It is no less than the coming challenge to the dollar by the ruble.

LaSalle Street, please take note.

The London Economist recently reported that the head of a large Zurich bank had wagered the chairman of our Federal Reserve Board a case of champagne that the United States will devalue the dollar within three years. And the house of Montagu, the big London bullion house, in the Bullion Review for 1958, tells us a few facts about Soviet gold production. It was about 17 million ounces both in 1957 and in 1958. That's about \$600,000,000 a year - on the same order as South African output. Soviet gold reserves are estimated up to \$10 billion. Montagu makes some comments, too, on the possible devaluation of the dollar: "One cannot exclude the possibility that a further decline in dollar holdings (and they mean dollar holdings by foreign countries) caused by the American Government's difficulties in handling its financial problems might well force the hands of the American authorities."

There is no Marxist nonsense in Soviet banking operations. Russian bankers operate today much as they did under the czars. They don't believe in capitalism, but they believe in capital and they handle it along capitalistic lines. Our bankers will tell you that Soviet gold is a pleasure -- and a profit -- to handle. It is always perfectly assayed. And it is beautifully packaged, so that the banks always make just a little bit more when they handle Moscow gold than with any other country's gold.

Soviet gold now trickles into the West at the rate of about seven million ounces a year. This is roughly a quarter billion dollars. It isn't enough to disturb the delicate balance of the gold market.

But what did Mr. Mikoyan urge last summer in an article in the Soviet magazine International Affairs? He proposed nothing less than

that the United States raise the price of gold. This of course devalues the dollar. He contended that the price of gold is "artificially established" by the United States at a low rate which we impose on countries from which we buy gold - as a form of tribute collected by us.

In the Soviet foreign trade journal, Vseshnyaya Torgovlya, Mr. Mikoyan stated that in the not too distant future the ruble, export of which has been forbidden for thirty years, will be made fully convertible on international exchanges.

Both of these magazine articles by Mikoyan sustain reports that the Russians plan a revolution in international finance. In the Soviet view, the ruble is to displace the dollar as the dominant medium of international exchange even in the non-communist world.

Such a belief would have seemed foolish - or merely a nightmare - a few years ago. And today? I'm not a financial expert - but I wonder. Soviet industrial diamonds and gem diamonds soon will be competing with those of South Africa. The international ruble will have gold and a growing flood of commodities as its backing. And in a death grapple between the ruble and the dollar, what will be the fate of the relatively free system of finance that has so long dominated the international world of money?

Fourth and finally, we of the United States are now dangerously facing a Soviet challenge in the field of foreign aid. During the next decade, this may turn out to be the most important of all the Soviet economic weapons. Recently Under-secretary of State Dillon reported that Soviet commitments to underdeveloped and uncommitted nations for the year 1958 amounted to \$1 billion. Mr. Dillon said this represented "a dramatic acceleration of the tempo of the drive."

By comparison with our own, the Soviet program of aid to underdeveloped countries has been small -- with a total commitment of only two and a half billions since the war, mostly in long-term low-interest credits. Some experts believe the program will continue to be relatively modest. But others estimate that within ten years the Soviet economy will be able to provide a surplus of ten billions annually for export -- if its leaders elect to do so. If the tempo continues to accelerate, they may readily so elect.

The Russians are playing for big stakes and they know what the stakes are. They expect and they get political value for their money even when the money's small. Their anti-Western line is quite clear. They tell the underdeveloped countries to expropriate Western property and to reject Western aid. They promise help without the "enslaving" conditions we impose. That we do not "enslave" is of no importance, so long as the Soviets are able to sell the idea that we intend to.

In India recently, there was a dramatic demonstration of the effectiveness of the Soviet aid and propaganda program. Two steel mills of one million ton capacity were opened on two successive days. The first had been built by a group of West German and Indian industrialists. Its opening passed relatively unnoticed. The second was built and financed by the Soviet Union. It opened amidst a fanfare of publicity, a flood of propaganda that made it appear to India and surely much of the underdeveloped world that the Soviet Union was India's principal benefactor in her struggle toward self-sufficiency.

Yes, perhaps the gravest threat to the Western world in the emerging Soviet economic challenge is the accelerating program of Soviet economic aid, and the skill with which it's handled.

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Now I've mentioned four forms of Soviet economic challenge. As a Cassandra, I could go on. But I am not here to argue that the Russians are ten feet tall. I'm merely arguing that when we Americans are in a life and death struggle we shall be well advised if we do not underestimate our competition. I'm trying to dissolve any illusion that the United States is necessarily the Big Man and that the USSR is the Little Man and that a Good Big Man always beats a Good Little Man.

Manifestly there are deep-seated flaws inherent in the Soviet system. Further, there are cancerous economic flaws wholly apart from the purges, the tyranny and the political double-dealing.

One is the unsolved problem of succession in a dictatorship -- how, without terror and bloodshed, to transfer power from one regime to the next. Stalin was in his forties when he became absolute ruler, but Khrushchev is already sixty-five. This is Sears-Roebuck's newly advanced retiring age (it was 60 in 1942 when General Wood turned over the Britannica to the University of Chicago, and advised me to keep it at 60).

Now I don't know the condition of Khrushchev's liver; he looks healthy enough in his pictures. And it takes a man in good health to stand up against Hubert Humphrey for eight and one-half hours. But I would wager that the jockeying is on among those who want to sit where he sits. He may be temporarily succeeded, as was Stalin and before him Lenin, by an oligarchy of unquiet men scheming among themselves for the ultimate power. Such a struggle might lead to another round of liberalization within the USSR. This would be all to the good. Or it might deflect Communist energies away from an international offensive. Such a respite might of course be only temporary.

There are factors and trends that could work in our favor. For forty years the people of the USSR have been hearing about the better life that is in store for them. It is true that most Soviet citizens are today better off materially than their fathers were before the Revolution. But all things are relative, and twice one egg per week is still only two eggs. Their lot has been alleviated - but only to a degree that may whet their appetites for more. We can wait with some hope for that "mellowing process" predicted by George Kennan.

The astute politician Khrushchev today seldom makes a major speech without pointing to Soviet accomplishments in increasing the output of food and to a future with good housing, and enough meat, milk, and clothing for all. Perhaps he feels that the Soviet people may never again be as supine as they were in the years when Stalin was operating on Lenin's dictum that it was necessary to sacrifice two entire generations in order to achieve the revolution.

Illiteracy in the USSR has been largely wiped out for those under 45. In my book of last year, This is the Challenge, I again reported how the booming Soviet educational system - or rather its training system - is turning out tremendous crops of competent professional men and women, administrators and technicians - and thus creating a new version of a middle class. Allen Dulles has expressed the "cautious hope" that education may prove the Achilles heel of the Soviet system. The Kremlin may indeed find it an increasingly harder problem to manipulate the people of the USSR.

Alexis de Toqueville in his book, "The Old Regime," said: "The evils which are endured with patience so long as they are inevitable seem intolerable as soon as a hope can be entertained of

escaping them." The Russian people found the evils of the Czars intolerable and ultimately escaped them; and no man can say for sure that this may not happen again even though there seems small hope at present for any significant or imminent change in the regime or its policies.

There is a major factor which should not be minimized. If I were purely a Cassandra, I would overlook it. This factor is China. In a few years your banquet speakers will perhaps be focussing on a new problem which they will tell you is the gravest in all our history. They may tell you that in 1959 we Americans were fighting the wrong cold war -- and they may be right. Peking claims that China's production of steel and grain doubled in 1958. Twice one egg is still only two eggs, but it's a much bigger omelet when stirred by 600,000,000 people. To the Soviet Union or to the rest of us it is clear that Mao Tse-tung, Chou En-lai and Company are reorganizing China to achieve the last ounce of productivity.

There is a wisecrack current in Moscow. Khrushchev's Seven Year Plan, they say, is not aimed at catching up with the United States, but at keeping ahead of China. The United Nations forecasts a Chinese population of 1,600,000,000 by the year Twenty-hundred. The Soviet population is now 207,000,000, less than a third of China's, and growing much more slowly. The prospect of an explosive over-populated China immediately south of Russia's rich and under-populated Siberia must be cause for concern in Moscow. Former Premier Paul Reynaud at a conference I attended in Bern last summer asserted that China's abandonment of birth control is one of the most significant political developments since the war. The Soviets understand such developments.

But I fear any effort to find a silver lining in China's growing strength makes tonight's cloud the more ominous.

Is a powerful China, seemingly more Communist than the Kremlin, likely to weaken the worldwide economic challenge of Communism? We may indeed some day find ourselves allied with the USSR against Communist China, but is this a comforting thought for the members of the Economic Club of Chicago to take home to their wives and daughters tonight?

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I hope that I may by now have persuaded many of you that the arguments are powerful that America's present necessity is to gear up for the coming economic competition.

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Now do I have any suggestions as to how best to gear ourselves up?

Yes, I have a few, though I have advanced some of them so often that they may seem tarnished if not shopworn to some of you. However, this does not prove they are not good. A secondhand set of Encyclopaedia Britannica is still better than the Book of Knowledge. (I say this as a bow to the many executives of Britannica and Britannica Films in the audience tonight.)

Of course, the first and most essential task of the United States is to continue to maintain and further to build up our defense establishments; this is a subject for another speech, though not by me. Perhaps I should remind you, however, that many who have studied the subject feel that our defense budgets should be stepped up at a rate of at least three billion a year. A great political scientist, who spends his life studying world trends, told me last

month that he thought the odds on a nuclear war had shifted in the last five years from 1 in 100 to 1 in 10. He advises me to purchase three hide-aways (he prefers to call them lodges), at 10 or 12,000 feet altitude, one in South America, the second in Southeast Asia and the third in Africa. "Keep one member of your family out of the United States at all times," he warns.

If he's right, three billion a year is far too little. We must weigh his arguments. Our understanding of reality is essential to our survival in freedom.

Our second objective for our economy, as I see it, is to produce at full capacity, or close to full capacity. We must pursue policies which insure an expanding economy. What we should produce, and how our total production should be divided among goods and services, is another question. We have largely solved the technical problem of production; what we have not solved is the problem of maintaining an economy at full momentum and of channeling its production ^{AMONG VARIOUS} ~~into these~~ goods and services most vitally in the national interest.

For the last several years, our growth rate has been considerably less than our traditional 3%. Almost two years ago, in the third quarter of 1957, our gross national product reached its peak -- we were then producing at the annual rate of \$451.1 billion dollars. The recession came along and G.N.P. sagged. A low annual rate of \$429.2 came in the first quarter of 1958. The average for the year ended up at \$437.7. (These figures are all in '58 prices.) Today it is creeping back up -- but with five or six million unemployed. It is at least \$20 billion behind what we might reasonably expect with high employment.

Now it takes no financial or mathematical genius to discover that if the current or recent rates of our own economy and the Soviets are maintained -- that they will shortly surpass us in gross national product -- and with a minimum of fin-tailed Cadillacs or plastic covers for the hats that cover the heads that cover our brains.

Can we Americans afford to settle for a growth-rate of less than the 5% set as a goal in the 1958 report of the Rockefeller Brothers Fund? This is no quota set by an optimistic sales manager. It is a rate of growth calculated by a panel of carefully chosen experts to accommodate sharply increased defense expenditures deemed essential; to cover increased and essential domestic expenditures in such fields as education; and to provide for a 2.8% per annum growth of private per capita consumption. Thus it seems to promise that we can have our cake and eat it too. If we get the breaks, perhaps we can and perhaps such an example on our part will help lead the world to peace. At any rate, we should seek to develop national policies directed toward such a goal. This requires skilled and courageous political leadership applied to national tax policies, budget and monetary policies.

One distinguished economist estimates we must double our current or historical rates of savings and investment to achieve the Rockefeller goal. We must work more, but if we do, it will be easier to save more.

The recently inaugurated study by the Joint Economic Committee of Congress was projected on the motion of the Committee chairman,

and statesman
Chicago's own distinguished economist, ^ASenator Paul Douglas. This is planned as a ten-month \$200,000 study of economic growth, employment and inflation. Few congressional probes could be more timely and important. The first four preliminary witnesses who were heard late last month - Dean Neil Jacoby, who was active here at the University of Chicago for many years, Professor Sumner Slichter of Harvard, Leon Keyserling and Marriner Eccles - indicate the high level of economic competence being enlisted.

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A third front on which we must fight is that of economic aid. Here again I turn to a recent but neglected report of the Rockefeller Brothers Fund. This one is titled "Foreign Economic Policy in the 20th Century." It says, "The selective economic program of the Soviet Union is politically effective primarily to the extent that weak countries must face the strong Soviet economy alone. If these countries are part of larger groupings they will be able to resist pressure more easily and negotiate on a more nearly equal basis.

"The Soviet effort is impressive primarily because the free world has failed to develop a workable structure within which the industrialized and newly developing regions can cooperate in fulfilling the aspirations of their peoples."

The report continues, "The free world can withstand the impact of the Soviet geo-political trade offensive, if it organizes itself to do so. The more highly industrialized nations of the world are linked to the less developed nations by a two-way trade of goods that totals more than \$35 billion annually or almost 30 times the amount of trade between the less-developed countries and the Communist bloc.

"By building appropriate international institutions on the solid basis of existing mutual interest, the free world can perpetuate an advantage that lies overwhelmingly on its side."

I endorse the conclusions of this report. I believe the American people are again prepared to take what Clarence Randall of Chicago has called "the bold and costly measures to avert disaster in this contest."

Annual increases in productivity can of course make it far easier for us to increase our foreign aid programs, and to put them on a long-term basis, not an uncertain annual basis, bolstered along the lines of Senator Monroney's "Development Loan Fund."

Further, we should develop new ways to stimulate private investment abroad, particularly in under-developed countries. I am tempted by Clarence Randall's proposal that the tax exemptions we now give to profits from investments in Latin America should be extended to the entire world. In his provocative article in the current Atlantic Monthly, he urges, "genuine partnerships and immediate and generous sharing with local capital of both the risks and the opportunities."

I am not now prepared to join those who are suggesting that America must create a government monopoly of foreign trade in order to meet the Soviet challenge. This can come; I am told it is being discussed in the State Department and "papers" are being prepared on it -- as indeed they should be. But I am hopeful that we can avoid violating our anti-trust laws in ways that are repugnant to many of us in the business community and to a great majority of our voters.

We are quick to accuse the Soviets of politically motivated foreign trade. Yet many of their policies, like ours, may seem

rational from the standpoint of their domestic economy. Our trade too is governed by political considerations -- domestic ones affecting farm policies, for example -- or our oil quotas to which I've just referred - or our tariffs, as the Illinois and Connecticut Manufacturers Associations can tell you.

The United States should do all it reasonably can to reduce tariffs and trade barriers and thus stimulate world trade generally. In his testimony before Senator Douglas' Committee, Professor Slichter suggested that tariff reduction would hold down United States prices and thus counteract inflation.

And should we exclude the Soviets from our trade? Might not trade with them help encourage the trends we desire? In his new book, Adlai Stevenson asks these questions: "So why not trade with them? Why not help them improve their living standards? Why not encourage the growth of material abundance and thereby make it harder to preserve the secrecy, ignorance and tight controls of the Soviet system? Why not help the Soviet leaders subvert their own system of fear with the confidence bred of plenty?"

Finally, in my list of quick suggestions, I remind you that I have been identified, over the years, first in the Department of State and later in the Senate, with proposals for strengthening America's programs of international information and cultural exchange. These can have profound impact on the economic struggle. They should be greatly enlarged.

We must not neglect the export of people and ideas as well as goods. Clarence Randall complains that our representatives can't speak "the language of the people with whom we must deal each day."

I have previously proposed the creation of centers for the training of technical assistance experts - "West Points of Point 4," I called them, and I repeat the suggestion here. The graduates of such centers would serve overseas for a few years as the graduates of our service academies serve in the armed services. They would receive a most marvelous training for the business world we like to envisage for the future.

A few fissures have opened in the Iron Curtain. More can be developed with a little leadership and money, as I pointed out last year in testimony to the Foreign Relations Committee of the Senate. One of our most hopeful lines of action is to make the Soviet people aware of how wide the discrepancy is between their own standard of living and that of the West. The Soviet press so fears this issue that it failed to print Prime Minister Macmillan's broadcast in Moscow about how well the British people live and how much higher British per capita production is than the USSR's. I suggest that we set up this issue as a pre-condition of the Summit meeting sought so eagerly by Khrushchev. Let him agree to carry its proceedings in the Soviet press and on its radio and TV. Challenge him to expose his people to the great international debates of the times at the Summit meeting. If he wants the Summit, let his people listen to what goes on there.

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I shall pass over tonight, as a subject for another speech, and this one I would like to make, the ignorance of our own people and the importance of informing them. On March 18, James Reston reported dismay in Washington because in a spot check the

New York Times discovered that 39% of those questioned did not know

that Berlin is an enclave in Communist East Germany. Such ignorance is a commentary on the American press, radio and TV - as much as on the American people. Our press and radio may be free, but they are far from adequate.

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Now you may say, as I conclude, that measures I have ticked off quickly will cost a lot of money. I reply that the money is tiny compared to our national income, and our Defense Department costs. In view of our great danger and our urgent need, I for one am prepared to face up to higher taxes. We are confronted with a new emergency no less real than war, and potentially equally menacing because if we do not meet it, war may not be far behind.

Governor Stevenson is perhaps well enough established ^{EVEN} in this economic citadel, for me to quote him ^{GAIN IN CONCLUDING} tonight. In grave and solemn words he reported on his last year's trip to the USSR. He ^{WARNED US} ~~wrote~~, "My conclusion is that our Russian competitors are much tougher than most of us have yet realized -- and that this time we might get licked, unless we are willing to change our habits, our political behavior and our complacent outlook on the world."

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Can we rediscover in time the values which made our Western revolutions infinitely greater than Lenin's? Can we check and reverse our national slide toward complacency? By dedication and hard work, can we demonstrate anew what we mean by the good life and the good society? These are the questions before the American people today.

How we respond to them, my friends of the Economic Club, is the key to the future. It is the challenge of our time.